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8-31-16  
04:59 PM

**BEFORE THE PUBLIC UTILITIES COMMISSION  
OF THE STATE OF CALIFORNIA**

Order Instituting Rulemaking To Create a Consistent  
Regulatory Framework for the Guidance, Planning and  
Evaluation of Integrated Distributed Energy Resources.

Rulemaking 14-10-003  
(Filed October 2, 2014)

**REPLY COMMENTS OF THE INDEPENDENT ENERGY  
PRODUCERS ASSOCIATION ON THE FINAL REPORT  
OF THE COMPETITIVE SOLICITATION FRAMEWORK  
WORKING GROUP**

**INDEPENDENT ENERGY PRODUCERS  
ASSOCIATION**

Steven Kelly, Policy Director  
1215 K Street, Suite 900  
Sacramento, CA 95814  
Telephone: (916) 448-9499  
Facsimile: (916) 448-0182  
Email: [steven@iepa.com](mailto:steven@iepa.com)

**GOODIN, MACBRIDE,  
SQUERI & DAY, LLP**

Brian T. Cragg  
505 Sansome Street, Suite 900  
San Francisco, California 94111  
Telephone: (415) 392-7900  
Facsimile: (415) 398-4321  
Email: [bcragg@goodinmacbride.com](mailto:bcragg@goodinmacbride.com)

Attorneys for Independent Energy Producers  
Association

Dated: August 31, 2016

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In compliance with the schedule set forth in the Administrative Law Judge's Ruling issued by email on August 17, 2016, the Independent Energy Producers Association (IEP) submits its reply comments on the Final Report of the Competitive Solicitation Framework Working Group (Report).

In its opening comments, Vote Solar raised its concern that some aspects of the proposed framework may conflict with the objectives of Public Utilities Code section 769. IEP responds to four statements made by Vote Solar. First, Vote Solar asserts that section 769 requires "deployment of DER [distributed energy resources] in a manner that maximizes net benefits for all customers."<sup>1</sup> Second, Vote Solar raises concerns about a process that it perceives "would likely encourage bidders to offer individual DER solutions rather than optimized portfolios of DERs."<sup>2</sup> Third, Vote Solar argues that utilities should promote DER growth "not in response to grid needs, but rather to meet customer needs regardless of location on the

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<sup>1</sup> Vote Solar's Comments, p. 2.

<sup>2</sup> Vote Solar's Comments, p. 2.

distribution grid.”<sup>3</sup> Finally, IEP responds to Vote Solar’s comments on valuation and transparency.<sup>4</sup>

**Minimizing Costs and Maximizing Benefits:** On Vote Solar’s first point, IEP notes that the specific language of section 769 referred to by Vote Solar does not address the deployment of DERs. The Commission does not deploy DERs, but it reviews the distribution resource plans of investor-owned utilities. Section 769(c) authorizes the Commission to modify a utility’s distribution resource plan “as appropriate to *minimize overall system costs* and maximize ratepayer benefit from investments in distributed resources.” (Emphasis added.) The Commission’s role is to ensure that a utility’s distribution resource plan maximizes benefits to its ratepayers while minimizing the plan’s projected costs on the system. Vote Solar’s statement appears to emphasize maximizing ratepayer benefits, but the Commission must also be concerned about how implementation of a distribution resource plan will affect system costs. The statute’s concern about costs is not incidental: under section 769(d), the utility’s spending on infrastructure needed to carry out the plan must be proposed and reviewed in the utility’s general rate case, where the Commission, before approving the spending, must conclude that the spending will result in net benefits to the utility’s ratepayers and that the associated costs are just and reasonable.

**DER Portfolios v. Individual Solutions:** Second, Vote Solar’s concern about DER portfolios is not grounded in the language of section 769. Section 769 contains no mention of portfolios of DERs. Vote Solar suggests that a portfolio of DERs should be preferred over an individual DER as a solution to an identified need, because DER portfolios “likely” provide

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<sup>3</sup> Vote Solar’s Comments, p. 5.

<sup>4</sup> Vote Solar’s Comments, p. 6.

greater benefits.<sup>5</sup> A competitive solicitation to address an identified need, however, should properly focus on selecting the offer that best fills the need at the lowest cost to ratepayers. If a DER portfolio can fill the identified need at the lowest cost, then it should be selected. But if a DER portfolio is not the lowest-cost solution, the direct costs to ratepayers will be higher if the portfolio is selected. Vote Solar suggests that the utilities should develop guidelines on how to value benefits that are “difficult to quantify,” but it’s not immediately obvious why the claimed extra benefits of a DER portfolio should be presumed to outweigh higher direct costs. A DER solution that provides “system capacity benefits,” to cite one of Vote Solar’s examples, does not justify a higher cost to ratepayers if the utility has no need for additional system capacity.

**Individual Customer Needs v. Grid Needs:** A similar concept is relevant to Vote Solar’s third point. Vote Solar’s position is that the proposed Distribution Planning Advisory Group’s responsibilities should include providing input on DER penetration levels and locations and recommending mitigation to potential impacts of “DER growth in response to customer demand.”<sup>6</sup> Vote Solar “strongly believes” that utilities should promote DER growth “not in response to grid needs, but rather to meet customer needs regardless of location on the distribution grid.”<sup>7</sup> Vote Solar’s position suggests a disregard for the costs that an individual customer’s resource may impose on other ratepayers. A customer who installs a rooftop solar system, for example, imposes costs on other ratepayers in that, at a minimum, the customer will no longer contribute as much to the utility’s authorized revenue requirement. Those additional costs might or might not be outweighed by the system benefits a rooftop solar installation can provide, but the point here is that decisions that benefit an individual customer may impose significant costs on other customers. Vote Solar’s suggestion that the utility “should enable DER

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<sup>5</sup> Vote Solar’s Comments, p. 2.

<sup>6</sup> Vote Solar’s Comments, p. 4.

<sup>7</sup> Vote Solar’s Comments, p. 5.

growth in response to customer choice” ignores the potential impact on other customers and seems to reflect an view that DERs should be promoted regardless of the financial effects on other customers or the operational effects on the utility.

To be clear, IEP recognizes that DERs have the potential to address the needs of the electric distribution system at a lower cost than more conventional options. But promoting investments in DERs just because they are DERs, without regard for the effects on other customers or the operation of the utility system, is bad policy and is inconsistent with the language and intent of section 769. The competitive solicitation framework must fairly evaluate the benefits of a proposed resource, but it must also consider the financial and operational costs that the resource imposes on the system and on ratepayers.

**Valuation and Transparency:** Finally, IEP agrees with Vote Solar about the need for more transparency in the valuation of bids. Improper valuation of DER resources can undermine the overall goal of transparency in procurement and hinder the achievement of least-cost and best-fit outcomes. IEP supports Vote Solar’s call for transparency in the evaluation process and clarity in how the Locational Net Benefits Analysis will be linked to this process. Greater transparency in the evaluation process will help ensure that distributed resources are fairly valued. On the other hand, IEP believes that Vote Solar risks lowering the level of transparency when it suggests a greater role in bid evaluation for non-quantifiable, qualitative factors to ensure the valuation of the “full suite of attributes a DER solution can provide.” The transparency of the competitive solicitations in general and the bid-evaluation methodology specifically should not be undermined by the inclusion of qualitative benefits that are not otherwise recognized (and quantified, when possible) in the solicitation protocols.

Respectfully submitted August 31, 2016 at San Francisco, California.

GOODIN, MACBRIDE,  
SQUERI & DAY, LLP  
Brian T. Cragg  
505 Sansome Street, Suite 900  
San Francisco, California 94111  
Telephone: (415) 392-7900  
Facsimile: (415) 398-4321  
Email: bcragg@goodinmacbride.com

By /s/ Brian T. Cragg

Brian T. Cragg

Attorneys for Independent Energy Producers  
Association

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